

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 5/7/2012

GAIN Report Number: GT1203

Guatemala

Coffee Annual

2012

Approved By:

Henry Schmick, Agricultural Counselor

Prepared By:

Karla Tay, Agricultural Specialist

Report Highlights:

Coffee production for marketing year MY-2013 (October 2012-September 2013) is forecast at 3.85 million bags, slightly below the level of MY-2012. Total bean exports are forecast at 3.65 million bags. Guatemala has positioned itself as a marketing leader with worldwide recognition for its specialty coffee. The United States continues as Guatemala's biggest export market, accounting for about 40 percent of its total coffee exports. The European Union (EU), as a block, continues to be a significant buyer of Guatemalan coffee, accounting for 29 percent of Guatemalan exports. Due to low international prices, together with land demand for more profitable products, such as rubber and palm oil, Guatemalan coffee planted area is not expected to expand.

Executive Summary:

Coffee production for MY-2013 (October 2012-September 2013) is forecast at 3.85 million bags, slightly below MY-2012 production. Export volumes for MY-2013 are forecast at 3.65 million bags, almost similar to MY-2012. Guatemalan coffee is being marketed more as a specialty product rather than a basic commodity. The United States is still Guatemala's biggest customer, accounting for 40 percent of all exports. Japan follows and has maintained its share at 15 percent of total exports. Guatemala has positioned itself as a marketing leader with worldwide recognition. Alliances have been made to increase production and exports of high quality, certified coffee. The "Cup of Excellence", Guatemala's on-line Coffee Auction Program, has consistently received a meritorious recognition from the World Summit of the Information Society (WSIS). Domestic consumption has doubled in the past five years, through marketing strategies that involve coffee-soda beverages, internet cafés, specialty coffee shops and restaurants.

Commodities:

Coffee

Production:

Post forecasts coffee production in MY-2013 at 3.85 million bags, slightly below post's MY-2012 estimate. Low international prices and increase in fertilizer and pesticide costs have undercut growth. Irregular rainfall patterns have affected bi-annual production output. Excess rain due to La Niña phenomena has considerably impacted Guatemalan coffee potential. Coffee rust (a fungus problem) has been spreading in most of the coffee producing farms, and only big farmers are in a financial condition to support fungicide application. Although credit is available for the small farmers, experience has shown that coffee prices are too volatile and past debt financing has resulted in bankruptcy. Despite the financial capability of the big farmers, conversion of coffee plantations into rubber or palm production is a definite trend. Post also forecasts that exports for MY-2013 will be 3.65 million bags, as shown in the PS&D table.

Though the production and export numbers have not varied significantly for the past 3 years, export values have increased significantly given international prices. Coffee exports generated \$706 million in 2010 and \$1,174 million in 2011; so coffee became the second largest export product of Guatemala, but the first within the agricultural sector.

Guatemala has experienced a very interesting change in coffee production over the last 30 years. In 1980, 20 percent of production was "hard" and "strictly hard" beans which are the higher quality beans that bring better prices in the international market. The lower qualities, "prime" and "extra prime", accounted for 80 percent of coffee production in 1980. Guatemalan coffee producers recognized the problems inherent in relying so extensively on lower quality product, so they made a strategic decision to focus on high quality coffee. By 2005, 80 percent of the coffee production was "hard" and "strictly hard", while "prime" and "extra prime" represented only 20 percent. Although total coffee production has not increased significantly, the financial security of the industry has strengthened. Currently, about 80 percent of production is carried out on very small (less than 1 hectare), small (25-30 hectares) and

medium sized farms (130 hectares), located in high altitude zones that produce "hard" and "strictly hard" beans. Out of Guatemala's 22 departments, only 3 departments are not producing coffee. Coffee production in Guatemala provides incomes for 90,000 households, 45 percent of which produce on less than 1 hectare of land. When international prices start going down, small farmers are the ones at greater risk, without any incentive at all to use credit to maintain healthy plantations; coffee rust (fungal disease) is a serious threat for the Guatemalan coffee sector.

Consumption:

Consumption estimates for MY-2013 are 402,000 bags; with a slow but steady increase in consumption for the past two years. Coffee consumption in Guatemala is still 2 kilograms per person. The National Association of Coffee Producers, ANACAFE, is trying to increase domestic consumption by educating consumers on quality coffee and proper preparation, through strategic cooperation with the National Institute for Training (INTECAP) and the Guatemalan Chefs' Association. The increase of internet cafes, "McCafés" (part of McDonald's operation), and specialty coffee shops and restaurants, is further stimulating consumption. In the last two years, Guatemala has opened at least five new chains of specialty coffee shops and coffee restaurants. Café Barista and Café Saul have been the most successful ones. Both Café Barista and McCafés offer drive-through services. In March 2011, Starbucks opened its first shop in a popular, up-scale commercial center in a Guatemala City suburb. Starbucks has already announced the opening of its second shop in 2012. Other coffee shops in the country include: &Cafe, Cafe Gitane, El Cafetalito, and Cafe Leon. Coffee shops have also been opened inside supermarkets. "Café Cultura" magazine in Guatemala estimates that the increasing consumption of coffee by young adults will be pushing market prices at the local level and, eventually, in the whole Central American region.

Imports of coffee extracts, essences, and concentrates have increased substantially in the past two years, especially those coming from Mexico. Brazil is the major supplier of such coffee products, followed by Mexico and Nicaragua.

Trade:

High altitude coffee represents 87 per cent of the Guatemala coffee production, establishing a clear marketing pattern which starts in October, scaling up to Feb-Jun as the heaviest flow months, till September, which ends the season. Following is a snapshot of the export monitoring which ANACAFE carries out on a quarterly basis. For MY2012, in the OCT-APR period comparative exports have decreased 2.5%.



Guatemala, May 3, 2012

MONTHLY COFFEE EXPORTS FROM GUATEMALA

MONTH	in 60 kilo bags	2010/11	2011/12*	% DIFFERENCE
OCTOBER		67,500	98,348	
NOVEMBER		90,037	104,871	
DECEMBER		181,227	178,280	
JANUARY		265,435	244,200	
FEBRUARY		373,642	368,910	
MARCH		463,699	460,203	
APRIL		440,012	379,548	-13.74%
MAY		465,285		
JUNE		436,052		
JULY		315,719		
AUGUST		239,479		
SEPTEMBER		314,372		
TOTAL		3,652,458	1,834,360	
OCT/APR		1,881,551	1,834,360	-2.51%

05/03/2012

*figures are preliminary

The export trade matrix, on a calendar year (CY) basis, reflects that the United States continues as Guatemala's biggest export market, accounting for about 40 percent of its total coffee exports. The European Union (EU), as a block, continues to be a significant buyer of Guatemalan coffee, accounting for 29 percent of Guatemalan exports. Guatemalan coffee exports to Germany continue on the upswing. Japan follows as the third export market for Guatemala, still holding about 15.5 percent of the market share, up from 13.6 in 2010.

Export Trade Matrix CY 2010-2011

Export Trade Matrix			
Country	Guatemala		
Commodity	Coffee, Green		
Time period	CY	Units:	60 Kg bags
Exports for:	2010		2011
U.S.	1,590,316	U.S.	1,934,801
Others		Others	
Japan	526,988	Japan	744,757
Germany	328,686	Germany	427,091
Canada	359,859	Canada	398,173
Other European Countries	1,057,032	Other European Countries	983,821
Total for Others *	1,544,219	Total for Others *	2,873,048
Others not Listed		Others not Listed	
Grand Total	3,862,881	Grand Total	4,807,849
* Total others is Other than U.S.			

Guatemala has positioned itself as a marketing leader with worldwide recognition for its specialty coffee. During the 2011 Cup of Excellence, 26 different farms were awarded in the auction, with bids up to \$20.12 for vacuum packed coffee in 30 Kg boxes.

2011 Guatemala Cup of Excellence® Winning Farms - Auction July 7, 2011

The winning lots are coffees scoring 84 points and above in each cupping by both the National jury and the Cup of Excellence® International Jury.

These coffees have each been cupped a minimum of five different times during the cupping process.

Lot #	Farm	Farmer	Region	Score
1	El Socorro Y Anexos	Cercol, S. A.	Palencia, Guatemala	91.53
2	La Esperanza	Villatoro Lopez, Eleodoro	La Libertad, Huehuetenang...	90.92
3	El Injerto I	El Injerto, S. A.	La Libertad, Huehuetenang...	89.58
4	San Sebastian	Agropecuaria Salfar, S. A.	San Miguel Dueñas, Sacate...	89.03
5	Las Macadamias	Las Macadamias, S. A.	La Libertad, Huehuetenang...	88.72
6	Los Cuxinales Y Anexos	Agropecuaria Poyo, S. A.	Ciudad Vieja, Sacatepeque...	88.58
7	Trinidad	Melgar Moreno, Jose	Santa Rosa de Lima, Santa...	88.39
8	Santa Isabel	Agricola Valmar, S. A.	San Cristobal Verapaz, Al...	87.69
9	La Perla Y Anexos	Finca La Perla Y Anexos, S. A.	Chajúl, El Quiche	87.61
10	Aragon	Zelaya Andrade, Alejandro	Antigua Guatemala, Sacate...	86.97
11	Bella Vista	Entre Caminos, S. A.	Ciudad Vieja, Sacatepeque...	86.31
12	La Maravilla	Rosales Vasquez, Mauricio	La Libertad, Huehuetenang...	85.89
13	San Bernardo	Corpor. San Bernardo Del Cerri...	Fraijanes, Guatemala	85.86
14	San Jose La Travesia	Agricola Travesia, S. A.	San Miguel Dueñas, Sacate...	85.61
15	Manila Y Anexos	Cafe De Manila, S. A.	Nuevo Progreso, San Marco...	85.50
16	Linda Vista	Castillo Herrarte, Mario Enriq...	Pueblo Nuevo Viñas, Santa...	85.36
17	San Rafael Urias Valdes	Finca San Rafael Urias	Ciudad Vieja, Sacatepeque...	85.31
18	San Julian	Inversiones Mimosa, S. A.	Palencia, Guatemala	85.25
19	Santa Barbara	Agropecuaria Rabanales, S. A.	Fraijanes, Guatemala	85.22
20	Concepcion Pixcaya	Concepcion Pixcaya, S. A.	San Juan Sacatepéquez, Gu...	84.94
21	Cabrejo	Hegel De Guise, Emilia Margari...	Antigua Guatemala, Sacate...	84.75
22	Teanzul	Compañía Agrícola Tierra Alta,...	Barberena, Santa Rosa	84.72
23	Alotepeque	Mario Jordan Duarte , Comercia...	Concepción Las Minas, Chi...	84.72
24	San Jose El Valenton	Agropecuaria Punto Verde, S. A...	Villa Canales, Guatemala	84.67
25	Pavon Y Anexos	Duran Pellecer, Marina Lucreci...	Antigua Guatemala, Sacate...	84.47
26	Retana Y Anexos	Finca Retana Y Anexos, S. A.	Antigua Guatemala, Sacate...	84.39
27	Santa Elisa Pachup	Proyectos Del Pacifico, S. A.	Acatenango, Chimaltenango	84.39
28	Capetillo Y Anexos	Capetillo, S. A.	Alotenango, Sacatepequez	84.33
29	Los Caballitos	Finca Los Caballitos, S. A.	Chajúl, El Quiche	84.25

<http://www.cupofexcellence.org/CountryPrograms/Guatemala/2011Program/WinningFarms/tabid/736/Default.aspx>.

Selling the Guatemalan coffee as a specialty product is a must if farmers wish to survive and make better profits in a volatile market, especially with a production structure where 45% of the producers are small farmers with less than 1 Ha of land. Certifications as those with Rainforest Alliance are critical to improve the marketing possibilities of small coffee producers in Guatemala.

Stocks:

Post's updated estimates for ending stocks in-line with more recent information provided by ANACAFE.

Policy:

In 1990, the Guatemalan Government authorized a US\$100 million trust fund to assist coffee farmers during the price crisis. The trust fund has been managed by ANACAFE, and is operational for the years 2001-2016. The trust fund has provided financial assistance to coffee farmers at low interest rates. In addition, USAID and the Inter-American Development Bank (IDB) are supporting coffee farmers with

loan programs to help them recover from the increased prices in fertilizers and agrochemicals. Guatemala's coffee efforts have also been recognized by the International Coffee Organization (ICO), which has provided the sector with US\$4 million to be used in their competitiveness program. ANACAFE has supported the initiative with an extra US\$2 million during this same period, for promoting crop diversification, industrialization processes, commercialization, loan restructuring, coffee maintenance and harvest. This recent financial support has allowed for coffee renewal of old areas every seven years. Additionally, "Banrural" Bank is also collaborating with ANACAFE to provide low interest loans for small farmers, which allow them to apply for international quality certification, including organic certification.

Marketing:

ANACAFE has a very active marketing program focusing on the high quality and the variety of its coffee. Consumer recognition of Guatemalan coffee is increasing, both through fresh hot coffee sales which take place in coffee shop chains such as Starbucks, as well as in ready-to-drink packages (either cold or hot) in Japan. ANACAFE's marketing strategy includes differentiating its various designated varieties by special colorful and easily recognizable packaging. Varieties include Rainforest Coban, New Oriente, Antigua Coffee, Fraijanes Plateau, Volcanic San Marcos, Traditional Atitlan, Highland Huehue, and Acatenango Valley. This approach was possible through the creation of coffee profiles based on geographic analysis of specific regions to ensure coffee traceability to origin for high valued sales. For more details, please visit www.guatemalancoffees.com, which has become a valuable platform to promote one-on-one connections between international buyers and local sellers. The website includes a coffee search system that can provide detailed information of the different farms, which can be enhanced through Google Earth maps, to learn about detailed characteristics of the farms and direct contact information.

Production, Supply and Demand Data Statistics:

[illegible]